

City of Grosse Pointe Park, Michigan

**Financial Report
with Supplemental Information
June 30, 2008**

City of Grosse Pointe Park, Michigan

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9-10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	12
Statement of Revenue, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Proprietary Funds - Enterprise Funds:	
Statement of Net Assets	15
Statement of Revenue, Expenses, and Changes in Net Assets	16
Statement of Cash Flows	17
Fiduciary Funds - Pension and Other Employee Benefit Trust Funds - Retiree Healthcare Fund:	
Statement of Net Assets	18
Statement of Changes in Net Assets	19
Component Units:	
Statement of Net Assets	20
Statement of Activities	21
Notes to Financial Statements	22-40
Required Supplemental Information	41
Budgetary Comparison Schedule - General Fund	42
Budgetary Comparison Schedule - Capital Improvement Fund	43

City of Grosse Pointe Park, Michigan

Contents (Continued)

Other Supplemental Information	44
Nonmajor Governmental Funds:	
Combining Balance Sheet	45-46
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	47-48



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Independent Auditor's Report

To the City Council
City of Grosse Pointe Park, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe Park, Michigan as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Grosse Pointe Park, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe Park, Michigan as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedule identified in the table of contents are not required parts of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the City Council
City of Grosse Pointe Park, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grosse Pointe Park, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

November 12, 2008

City of Grosse Pointe Park, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Grosse Pointe Park, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the City's financial statements.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City of Grosse Pointe Park, Michigan on a government-wide basis. They are designed to present a longer-term view of the City's finances. Fund financial statements follow the above-mentioned government-wide statements and illustrate how the services provided by the City were financed in the short term, as well as what remains for future spending. Additionally, fund financial statements report the City's operations in more detail than government-wide financial statements.

The City of Grosse Pointe Park, Michigan as a Whole

In a condensed format, the table below shows the comparison of net assets as of June 30, 2008 to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current assets	\$ 5,340,132	\$ 9,017,914	\$ 1,449,498	\$ 1,297,553	\$ 6,789,630	\$ 10,315,467
Noncurrent assets:						
Investments	78,305	76,619	-	-	78,305	76,619
Capital assets	15,259,624	14,820,964	20,370,235	20,690,604	35,629,859	35,511,568
Total assets	20,678,061	23,915,497	21,819,733	21,988,157	42,497,794	45,903,654
Liabilities						
Current liabilities	1,863,296	1,899,586	2,526,736	2,385,024	4,390,032	4,284,610
Long-term liabilities	11,432,846	12,359,394	12,021,250	13,070,000	23,454,096	25,429,394
Total liabilities	13,296,142	14,258,980	14,547,986	15,455,024	27,844,128	29,714,004
Net Assets (Deficit)						
Invested in capital assets -						
Net of related debt	7,119,776	9,213,926	7,125,235	6,465,604	14,245,011	15,679,530
Restricted	613,743	752,280	-	-	613,743	752,280
Unrestricted	(351,600)	(309,689)	146,512	67,529	(205,088)	(242,160)
Total net assets	<u>\$ 7,381,919</u>	<u>\$ 9,656,517</u>	<u>\$ 7,271,747</u>	<u>\$ 6,533,133</u>	<u>\$ 14,653,666</u>	<u>\$ 16,189,650</u>

The City's combined net assets decreased 10 percent from a year ago, decreasing from \$16.2 million to \$14.7 million. This is primarily a result of \$1.2 million in transfers to the TIFA/DDA funds (component units) for development purposes, beautifying the City within those districts. A review of governmental activities, separate from the business-type activities, reflected \$7.4 million in total net assets. The unrestricted portion of net assets decreased as a result of the decrease in fund balance in the General Fund.

City of Grosse Pointe Park, Michigan

Management's Discussion and Analysis (Continued)

Long-term debt from governmental activities reflected the acquisition of approximately \$7 million of voter-approved bonds for the purpose of a widespread community improvement which has facilitated the construction and rehabilitation of many housing acquisitions and rehab projects along with expanded street resurfacing and diseased tree removal and replacement programs. For the fiscal year ended June 30, 2008, approximately \$2.8 million of the 2007 bond proceeds remains unspent.

The net assets for business-type activities reflected an increase of approximately \$739,000 to a total of \$7,271,747 in net assets; substantially all amounts are invested in capital assets, net of related debt. The unrestricted portion of net assets increased as a result of positive operating results for the year.

Long-term debt of business-type activities reflected a reduction of approximately \$1,155,000 as a result of principal payments upon the storm sewer system debt obligation. A purchase of \$175,000 for equipment was also incurred during the fiscal year.

The following table shows the changes in net assets for the year ended June 30, 2008 as compared with the prior year:

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue						
Program revenue:						
Charges for services	\$ 1,909,182	\$ 2,317,838	\$ 5,075,333	\$ 4,919,374	\$ 6,984,515	\$ 7,237,212
Operating grants and contributions	757,274	769,552	-	-	757,274	769,552
General revenues:						
Property taxes	8,224,111	7,663,764	-	-	8,224,111	7,663,764
State-shared revenues	1,085,432	1,085,432	-	-	1,085,432	1,085,432
Cable franchise fees	155,822	148,802	-	-	155,822	148,802
Investment earnings	358,261	191,688	-	-	358,261	191,688
Miscellaneous	114,708	29,115	-	-	114,708	29,115
Total revenue	12,604,790	12,206,191	5,075,333	4,919,374	17,680,123	17,125,565
Program Expenses						
General government	1,518,201	1,418,571	-	-	1,518,201	1,418,571
Public safety	5,619,267	5,348,899	-	-	5,619,267	5,348,899
Public works	3,834,198	3,884,800	-	-	3,834,198	3,884,800
Community and economic development	660,000	-	-	-	660,000	-
Recreation and culture	1,593,463	1,591,636	-	-	1,593,463	1,591,636
Intergovernmental	1,027,738	-	-	-	1,027,738	-
Interest on long-term debt	626,521	445,614	-	-	626,521	445,614
Water and sewer	-	-	4,152,591	3,841,987	4,152,591	3,841,987
Marina	-	-	184,128	233,256	184,128	233,256
Total expenses	14,879,388	12,689,520	4,336,719	4,075,243	19,216,107	16,764,763
Change in Net Assets	(2,274,598)	(483,329)	738,614	844,131	(1,535,984)	360,802
Net Assets - Beginning of year	9,656,517	10,139,846	6,533,133	5,689,002	16,189,650	15,828,848
Net Assets - End of year	<u>\$ 7,381,919</u>	<u>\$ 9,656,517</u>	<u>\$ 7,271,747</u>	<u>\$ 6,533,133</u>	<u>\$ 14,653,666</u>	<u>\$ 16,189,650</u>

City of Grosse Pointe Park, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

Revenues for the City's governmental activities totaled \$12,604,790. These revenues were utilized to provide essential municipal services including public safety, parks and recreation activities, and street maintenance. Expenses for the City's government activities totaled \$14,879,388. This increase in expenditures is mainly attributable to the intergovernmental expenditures transferred to the TIFA/DDA (component units) during the year, relating to the beautification project along the City's border.

Public safety department expenditures accounted for \$5,619,267 or 38 percent of the governmental activities operational expenditures. The public works and the recreation and culture departments represented 37 percent of the operating costs, while general and administrative costs were limited to 25 percent of the governmental activities operating costs, which reflects our primary focus of allocating resources for the delivery of essential services to residents.

The City continues to maintain a P.A. 149 account for the purpose of setting aside funds for the future retiree health costs. The City also continues to meet its actuarial recommended contributions for the employees' defined benefit pension plan. This program is funded in part by employee contributions from 4.5 percent to 5.5 percent of gross payroll.

Business-type Activities

The City's business-type activities are recorded in the Water and Sewer and Marina Funds. The City provides water and sewer services, which are purchased from the City of Detroit Water and Sewerage Department, to all its residents. Water and sewer revenues totaled \$4,798,700 for the 2008 fiscal year. These revenues provided the principal and interest payments of \$1,467,000 for the City's storm water system debt notes. The balance of \$3,331,700 in revenues was used for general operating costs and to compensate our provider, the Detroit Water and Sewerage Department, a total of \$1,919,789 for direct water and sewer fees. These direct costs represent in total 58 percent of our operating revenues.

The balance of business-type activities represents the City's 268 well marina operations; revenues for marina boat slip rentals totaled \$276,633 for 2008 and expenses totaled \$184,128, resulting in a net profit of \$92,505.

The City's Funds

Our analysis of the City's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detailed information for the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as State of Michigan Act 51 major and local road revenue sharing. The City's major funds for 2008 include the General Fund, the Capital Improvement Fund, and the Water and Sewer Fund.

City of Grosse Pointe Park, Michigan

Management's Discussion and Analysis (Continued)

The General Fund accounts for the majority of the City's governmental day-to-day operational services. The most significant of these were the public safety (police and fire), which incurred expenditures of approximately \$5.6 million in 2008. The general operating millage levied by the City supports these services. The Capital Improvement Fund is used by the City to account for most capital outlay expenditures. Transfers from other funds or debt issuance proceeds support these funds.

General Fund Budgetary Highlights

Over the course of the year, the City administration and City Council monitor and amend the budget to take into account any unanticipated events that occur during the year. The budget was increased for revenue sources due primarily to the receipt of general obligation bonds for the year. In addition, the budget for transfers to other funds was increased to reflect additional transfers made to the Capital Improvement Fund.

Capital Asset and Debt Administration

At the end of fiscal year 2008, the City had \$35,629,859, net of depreciation, invested in a wide range of capital assets, including land, buildings, police and fire equipment, computer equipment, and water and sewer lines. In addition, the City is reporting infrastructure assets, which include roads, sidewalks, and storm drains in which it has invested. The value of the infrastructure assets, net of depreciation contained in this report, is \$3,705,385 and \$4,227,396 for fiscal years 2008 and 2007, respectively (see Note 4 to the notes to the basic financial statements for additional information).

Debt reported in these financial statements is related to the construction of the above-mentioned capital and infrastructure assets and is reported as a liability on the statement of net assets (see Note 6 of the basic financial statements for additional information).

Economic Factors and Next Year's Budgets and Rates

Since 1989, the City has reduced its total property tax millage rate from 17.15 mills to the current 11.47 mills for the 2008 fiscal year. Strong expenditure controls and past growth in the City's tax base have helped to accomplish this millage rate reduction. Property taxes make up 67.2 percent of the General Fund budget. Because of Proposal A, which limits the growth on existing property to the rate of inflation, and a lessening of new growth and development in the City, future tax reductions will be unlikely. Due to economic conditions limiting to properly balance revenues to expenditures, full-time personnel has and will continue to be reduced through attrition.

City of Grosse Pointe Park, Michigan

Management's Discussion and Analysis (Continued)

On the expenditure side, the City continues to operate with relatively low personnel costs and an efficient labor force. Due to declines experienced with stock and bond markets, coupled with extended actuarial life expectancies, which significantly increased the employer pension costs along with significant increased health insurance costs, the City has efficiently offset these costs through an array of administrative changes. This includes increasing drug co-pays, modifying future retiree healthcare coverage, and staffing adjustments within the Department of Public Services and Public Safety Department.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to demonstrate the City's accountability for the funds received. If you have any questions about this report or need additional information, we invite you to contact the administrative offices at City Hall.

City of Grosse Pointe Park, Michigan

Statement of Net Assets June 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 142,951	\$ 363,395	\$ 506,346	\$ 10,604
Receivables - Net:				
Taxes	64,761	-	64,761	-
Accounts	505,079	1,086,103	1,591,182	-
Other governmental units:				
Component units	255,133	-	255,133	-
Other	787,819	-	787,819	-
Internal balances (Note 5)	794,955	(794,955)	-	-
Investment in joint venture (Note 11)	78,305	-	78,305	-
Prepaid expenses and deposits (Note 8)	101,785	-	101,785	-
Restricted assets (Note 7)	2,687,649	-	2,687,649	-
Capital assets (Note 4):				
Assets not depreciated	2,507,418	-	2,507,418	3,069,619
Assets being depreciated - Net	12,752,206	20,370,235	33,122,441	288,086
Total assets	20,678,061	21,024,778	41,702,839	3,368,309
Liabilities				
Accounts payable	463,047	428,748	891,795	15,876
Accrued and other liabilities	780,063	79,283	859,346	6,656
Due to other governmental units:				
Other	42,549	-	42,549	-
Primary government	-	-	-	255,133
Noncurrent liabilities (Note 6):				
Due within one year	577,637	1,223,750	1,801,387	320,401
Due in more than one year	11,432,846	12,021,250	23,454,096	934,551
Total liabilities	13,296,142	13,753,031	27,049,173	1,532,617
Net Assets				
Invested in capital assets - Net of related debt	7,119,776	7,125,235	14,245,011	2,102,753
Restricted:				
Streets	190,448	-	190,448	-
Garbage and rubbish collection	387,990	-	387,990	-
Building inspection	2,703	-	2,703	-
Drug law enforcement	32,602	-	32,602	-
Unrestricted (deficit)	(351,600)	146,512	(205,088)	(267,061)
Total net assets	\$ 7,381,919	\$ 7,271,747	\$ 14,653,666	\$ 1,835,692

City of Grosse Pointe Park, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 1,518,201	\$ 864,157	\$ -	\$ -
Public safety	5,619,267	116,113	66,022	-
Public works	3,834,198	311,642	691,252	-
Community and economic development	660,000	-	-	-
Recreation and culture	1,593,463	617,270	-	-
Intergovernmental	1,027,738	-	-	-
Interest on long-term debt	626,521	-	-	-
Total governmental activities	14,879,388	1,909,182	757,274	-
Business-type activities:				
Water and sewer	4,152,591	4,798,700	-	-
Marina	184,128	276,633	-	-
Total business-type activities	4,336,719	5,075,333	-	-
Total primary government	<u>\$ 19,216,107</u>	<u>\$ 6,984,515</u>	<u>\$ 757,274</u>	<u>\$ -</u>
Component units:				
Downtown Development Authority	\$ 44,355	\$ -	\$ -	\$ -
Tax Increment Finance Authority	844,116	-	-	-
Total component units	<u>\$ 888,471</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues				
Cable franchise fees				
Investment earnings				
Intergovernmental				
Miscellaneous				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2008

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (654,044)	\$ -	\$ (654,044)	\$ -
(5,437,132)	-	(5,437,132)	-
(2,831,304)	-	(2,831,304)	-
(660,000)	-	(660,000)	-
(976,193)	-	(976,193)	-
(1,027,738)	-	(1,027,738)	-
(626,521)	-	(626,521)	-
(12,212,932)	-	(12,212,932)	-
-	646,109	646,109	-
-	92,505	92,505	-
-	738,614	738,614	-
(12,212,932)	738,614	(11,474,318)	-
-	-	-	(44,355)
-	-	-	(844,116)
-	-	-	(888,471)
8,224,111	-	8,224,111	1,048,324
1,085,432	-	1,085,432	-
155,822	-	155,822	-
358,261	-	358,261	-
-	-	-	1,027,738
114,708	-	114,708	18,998
9,938,334	-	9,938,334	2,095,060
(2,274,598)	738,614	(1,535,984)	1,206,589
9,656,517	6,533,133	16,189,650	629,103
<u>\$ 7,381,919</u>	<u>\$ 7,271,747</u>	<u>\$ 14,653,666</u>	<u>\$ 1,835,692</u>

City of Grosse Pointe Park, Michigan

Governmental Funds Balance Sheet June 30, 2008

	Major Fund - General Fund	Major Fund - Capital Improvement Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents (Note 3)	\$ 2,910	\$ -	\$ 140,040	\$ 142,950
Receivables - Net:				
Taxes	64,761	-	-	64,761
Accounts	127,017	16,315	22,748	166,080
Other governmental units:				
Component units	254,772	-	361	255,133
Other	340,690	339,000	108,129	787,819
Due from other funds (Note 5)	982,131	73,661	869,211	1,925,003
Restricted assets (Note 7)	-	2,687,649	-	2,687,649
Deposits (Note 8)	101,785	-	-	101,785
Total assets	<u>\$ 1,874,066</u>	<u>\$ 3,116,625</u>	<u>\$ 1,140,489</u>	<u>\$ 6,131,180</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 209,084	\$ 166,115	\$ 87,848	\$ 463,047
Accrued and other liabilities	260,457	-	47,936	308,393
Due to other governmental units	42,549	-	-	42,549
Due to other funds (Note 5)	780,263	-	349,785	1,130,048
Deferred revenue	-	339,000	-	339,000
Total liabilities	1,292,353	505,115	485,569	2,283,037
Fund Balances				
Reserved for Capital Projects Fund	-	2,611,510	-	2,611,510
Unreserved, reported in:				
General Fund	581,713	-	-	581,713
Special Revenue Funds	-	-	620,243	620,243
Debt Service Funds	-	-	34,677	34,677
Total fund balances	581,713	2,611,510	654,920	3,848,143
Total liabilities and fund balances	<u>\$ 1,874,066</u>	<u>\$ 3,116,625</u>	<u>\$ 1,140,489</u>	<u>\$ 6,131,180</u>

City of Grosse Pointe Park, Michigan

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2008

Fund Balance - Total Governmental Funds	\$ 3,848,143
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Amounts reported for governmental activities in the statement of net assets are different because:

Receivable due from developers	339,000
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Capital assets used in governmental activities are not financial resources and are not reported in the funds	15,259,624
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Investment in joint venture is not included as an asset in the governmental funds	78,305
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Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:	
Notes and bonds payable	(10,827,497)
Compensated absences	(1,182,986)

Accrued interest payable is not included as a liability in the governmental funds	<u>(132,670)</u>
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Net Assets - Governmental Activities	<u>\$ 7,381,919</u>
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City of Grosse Pointe Park, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2008

	Major Fund - General Fund	Major Fund - Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenue				
Property taxes	\$ 6,949,457	\$ -	\$ 1,274,654	\$ 8,224,111
Licenses and permits	225,663	-	-	225,663
Federal sources	17,962	-	-	17,962
State sources	1,098,586	-	691,252	1,789,838
Charges for services	686,136	81,917	230,755	998,808
Fines and forfeitures	549,873	-	-	549,873
Interest and rent	368,051	203,718	185,025	756,794
Other	123,605	-	-	123,605
Total revenue	10,019,333	285,635	2,381,686	12,686,654
Expenditures				
Current:				
General government	1,441,232	-	-	1,441,232
Public safety	5,448,713	-	8,059	5,456,772
Public works	666,768	-	1,971,456	2,638,224
Community and economic development	-	999,000	-	999,000
Recreation and culture	1,619,818	-	-	1,619,818
Intergovernmental	-	1,027,738	-	1,027,738
Capital outlay	-	1,808,904	180,381	1,989,285
Debt service:				
Principal	90,913	749,000	400,000	1,239,913
Interest	21,935	42,532	409,550	474,017
Total expenditures	9,289,379	4,627,174	2,969,446	16,885,999
Excess of Revenue Over (Under) Expenditures	729,954	(4,341,539)	(587,760)	(4,199,345)
Other Financing Sources (Uses)				
Transfers in	-	604,415	660,639	1,265,054
Transfers out	(887,003)	(199,288)	(178,763)	(1,265,054)
Total other financing sources (uses)	(887,003)	405,127	481,876	-
Net Change in Fund Balances	(157,049)	(3,936,412)	(105,884)	(4,199,345)
Fund Balances - Beginning of year	738,762	6,547,922	760,804	8,047,488
Fund Balances - End of year	<u>\$ 581,713</u>	<u>\$ 2,611,510</u>	<u>\$ 654,920</u>	<u>\$ 3,848,143</u>

City of Grosse Pointe Park, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds \$ (4,199,345)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	777,661
Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(61,591)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,239,912
Changes in accumulated employee sick and vacation pay are recorded when earned in the statement of activities	(32,921)
Income from a joint venture is reported in the statement of activities as it is earned; this revenue is reported in the governmental funds when distributions are received - Joint venture income	<u>1,686</u>

Change in Net Assets of Governmental Activities \$ (2,274,598)

City of Grosse Pointe Park, Michigan

Proprietary Funds Enterprise Funds Statement of Net Assets June 30, 2008

	Major Fund - Water and Sewer Fund	Nonmajor Fund - Marina Fund	Total
Assets			
Current assets:			
Cash and cash equivalents (Note 3)	\$ -	\$ 363,395	\$ 363,395
Accounts receivable - Customers - Net	1,086,103	-	1,086,103
Total current assets	1,086,103	363,395	1,449,498
Capital assets (Note 4)	20,327,741	42,494	20,370,235
Total assets	21,413,844	405,889	21,819,733
Liabilities			
Current liabilities:			
Accounts payable	425,749	2,999	428,748
Accrued and other liabilities	78,341	942	79,283
Due to other funds	725,538	69,417	794,955
Current portion of long-term debt (Note 6)	1,223,750	-	1,223,750
Total current liabilities	2,453,378	73,358	2,526,736
Long-term debt - Net of current portion (Note 6)	12,021,250	-	12,021,250
Total liabilities	14,474,628	73,358	14,547,986
Net Assets			
Invested in capital assets - Net of related debt	7,082,741	42,494	7,125,235
Unrestricted (deficit)	(143,525)	290,037	146,512
Total net assets	<u>\$ 6,939,216</u>	<u>\$ 332,531</u>	<u>\$ 7,271,747</u>

City of Grosse Pointe Park, Michigan

Proprietary Funds **Enterprise Funds** **Statement of Revenue, Expenses, and Changes in Net Assets** **Year Ended June 30, 2008**

	Major Fund - Water and Sewer Fund	Nonmajor Fund - Marina Fund	Total
Operating Revenue - Customer billings	\$ 4,798,700	\$ 276,633	\$ 5,075,333
Operating Expenses			
Cost of water	613,496	-	613,496
Cost of sewage disposal	1,306,293	-	1,306,293
Operation and maintenance	408,873	151,344	560,217
General and administrative	961,747	18,417	980,164
Depreciation	481,034	14,367	495,401
Total operating expenses	3,771,443	184,128	3,955,571
Operating Income	1,027,257	92,505	1,119,762
Nonoperating Expense - Interest expense	(381,148)	-	(381,148)
Change in Net Assets	646,109	92,505	738,614
Net Assets - Beginning of year	6,293,107	240,026	6,533,133
Net Assets - End of year	<u>\$ 6,939,216</u>	<u>\$ 332,531</u>	<u>\$ 7,271,747</u>

City of Grosse Pointe Park, Michigan

Proprietary Funds Enterprise Funds Statement of Cash Flows Year Ended June 30, 2008

	Major Fund - Water and Sewer Fund	Nonmajor Fund - Marina Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 4,798,700	\$ 276,633	\$ 5,075,333
Payments to suppliers for water and sewage disposal	(1,919,789)	-	(1,919,789)
Payments to other suppliers and employees	(1,342,763)	(154,243)	(1,497,006)
Net cash provided by operating activities	1,536,148	122,390	1,658,538
Cash Flows from Capital and Related Financing Activities			
Principal and interest paid on capital debt	(1,536,148)	-	(1,536,148)
Debt financing on capital assets	175,000	-	175,000
Purchase of capital assets	(175,000)	-	(175,000)
Net Increase in Cash and Cash Equivalents	-	122,390	122,390
Cash and Cash Equivalents - Beginning of year	-	241,005	241,005
Cash and Cash Equivalents - End of year	<u>\$ -</u>	<u>\$ 363,395</u>	<u>\$ 363,395</u>
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating income	\$ 1,027,257	\$ 92,505	\$ 1,119,762
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization	481,034	14,367	495,401
Changes in assets and liabilities:			
Receivables	(29,555)	-	(29,555)
Accounts payable	67,798	(2,622)	65,176
Accrued and other liabilities	74,756	(277)	74,479
Due to other funds	(85,142)	18,417	(66,725)
Net cash provided by operating activities	<u>\$ 1,536,148</u>	<u>\$ 122,390</u>	<u>\$ 1,658,538</u>

There were no significant noncash investing or financing activities during the year.

City of Grosse Pointe Park, Michigan

Fiduciary Funds Pension and Other Employee Benefit Trust Funds Retiree Healthcare Fund Statement of Net Assets June 30, 2008

Assets - Investments - Mutual fund (Note 3)	\$ 590,688
Net Assets - Held in trust for pension and other employee benefits	\$ 590,688

City of Grosse Pointe Park, Michigan

Fiduciary Funds Pension and Other Employee Benefit Trust Funds Retiree Healthcare Fund Statement of Changes in Net Assets Year Ended June 30, 2008

Additions

Investment income - Net decrease in fair value of investments	\$ (16,686)
Contributions:	
Employee	51,798
Employer	<u>51,797</u>
Total contributions	<u>103,595</u>

Change in Net Assets 86,909

Net Assets Held in Trust for Pension and Other Employee Benefits

Beginning of year	<u>503,779</u>
End of year	<u><u>\$ 590,688</u></u>

City of Grosse Pointe Park, Michigan

Component Units Statement of Net Assets June 30, 2008

	Downtown Development Authority	Tax Increment Finance Authority	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 10,604	\$ -	\$ 10,604
Capital assets (Note 4):			
Assets not being depreciated	1,339,518	1,730,101	3,069,619
Assets being depreciated - Net	<u>-</u>	<u>288,086</u>	<u>288,086</u>
Total assets	1,350,122	2,018,187	3,368,309
Liabilities			
Accounts payable	-	15,876	15,876
Due to other governmental units -			
Primary government	51,721	203,412	255,133
Accrued and other liabilities	4,152	2,504	6,656
Noncurrent liabilities (Note 6):			
Due within one year	114,286	206,115	320,401
Due in more than one year	<u>685,714</u>	<u>248,837</u>	<u>934,551</u>
Total liabilities	<u>855,873</u>	<u>676,744</u>	<u>1,532,617</u>
Net Assets			
Invested in capital assets - Net of related debt	539,518	1,563,235	2,102,753
Unrestricted (deficit)	<u>(45,269)</u>	<u>(221,792)</u>	<u>(267,061)</u>
Total net assets	<u>\$ 494,249</u>	<u>\$ 1,341,443</u>	<u>\$ 1,835,692</u>

City of Grosse Pointe Park, Michigan

Component Units Statement of Activities Year Ended June 30, 2008

	Net Expense and Changes in Net Assets			
	Expenses	Downtown Development Authority	Tax Increment Finance Authority	Total
Downtown Development Authority - Public works	\$ 44,355	\$ (44,355)	\$ -	\$ (44,355)
Tax Increment Finance Authority - Public works	<u>844,116</u>	<u>-</u>	<u>(844,116)</u>	<u>(844,116)</u>
Total governmental activities	<u>\$ 888,471</u>	(44,355)	(844,116)	(888,471)
General revenues:				
Property taxes		150,604	897,720	1,048,324
Intergovernmental		251,042	776,696	1,027,738
Other revenues		<u>-</u>	<u>18,998</u>	<u>18,998</u>
Total general revenues		<u>401,646</u>	<u>1,693,414</u>	<u>2,095,060</u>
Change in Net Assets		357,291	849,298	1,206,589
Net Assets - Beginning of year		<u>136,958</u>	<u>492,145</u>	<u>629,103</u>
Net Assets - End of year		<u>\$ 494,249</u>	<u>\$ 1,341,443</u>	<u>\$ 1,835,692</u>

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2008

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Grosse Pointe Park, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City:

Reporting Entity

The City is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City, although the City has the ability to impose its will over the entities.

Blended Component Unit

Building Authority - The Building Authority is governed by a board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings. The Building Authority is reported as a nonmajor Debt Service Fund.

Discretely Presented Component Units

Downtown Development Authority - The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The DDA collects captured property taxes in accordance with state law and budgets expenditures within the DDA district boundaries. The DDA's governing body is appointed by the City Council.

Tax Increment Finance Authority - The Tax Increment Finance Authority (TIFA) was created to encourage economic activity within the TIFA district boundaries. The TIFA collects captured property taxes in accordance with state law and budgets expenditures within the TIFA district boundaries. The TIFA's governing body is appointed by the City Council.

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2008

Note I - Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or identifiable activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major governmental fund and major Enterprise Fund are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Improvement Fund - The Capital Improvement Fund is the City's account for construction activities for new City projects.

The City reports the following major Enterprise Fund:

Water and Sewer Fund - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2008

Note I - Summary of Significant Accounting Policies (Continued)

Additionally, the City reports the following Fiduciary Fund:

Retiree Healthcare Fund - The Retiree Healthcare Fund, a pension and other employee benefit trust fund type, accounts for the accumulation of resources that are legally restricted for payment of retiree healthcare benefits.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures relating to compensated absences are recorded only when payment is due.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its Enterprise Fund.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All accounts and property tax receivables are shown as net of allowance for uncollectible amounts.

Property Taxes - The City participates in the Delinquent Tax Revolving Fund maintained by Wayne County. Property taxes are assessed on December 31 and are levied and become a lien on July 1. These taxes are due on August 31; however, payment may be made from September 1 through February 28 with penalty. Taxes are considered delinquent and are turned over to Wayne County for collection on March 1.

The 2007 taxable valuation (real and personal property) of the City totaled \$620,857,896, on which ad valorem taxes levied consisted of 11.47 mills for the City's operating purposes, 1.72 mills for refuse, and .08 mills for public relations. The ad valorem taxes generated \$6,649,000 for general operations, \$998,000 for refuse, and \$50,000 for public relations, net of taxes captured by the DDA and TIFA. These amounts are reported in the General Fund, the Garbage and Rubbish Collection Special Revenue Fund, and General Fund, respectively, as tax revenue.

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, water and sewer systems, etc.), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Roads and sidewalks	20 to 25 years
Water and sewer systems	40 to 60 years
Land improvements	20 years
Buildings and building improvements	20 to 50 years
Machinery and equipment	8 to 20 years
Marina	15 to 33 years

Compensated Absences - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only when due for payment (generally for employee terminations as of year end).

Long-term Obligations - In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets.

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds, except transfers to other funds are budgeted as expenditures. All annual appropriations lapse at fiscal year end.

Budgets for the fiscal year commencing July 1 are prepared by the city manager and submitted to the City Council prior to May 1 each year. A public hearing is conducted to obtain taxpayer comments and the City Council legally adopts the budget through the appropriation ordinance prior to June 1.

The budget document presents information by fund, activity, and line item. The legal level of budgetary control adopted by the City Council is the activity level for both the General Fund and the Special Revenue Funds. Budget amendments were not significant during the year; however, the budget was amended prior to June 30, 2008.

Amounts encumbered for purchase orders, contracts, and other commitments are not tracked during the year. Budget appropriations are considered to be spent only when an expenditure has been recognized (i.e., when goods are received or services are rendered).

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2008

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City incurred expenditures that were in excess of the amounts budgeted, as follows:

	Amended Budget	Actual
General Fund:		
Public safety (1)	\$ 5,307,400	\$ 5,448,713
Recreation and culture (2)	1,599,300	1,619,818
Capital Improvement Fund:		
Capital outlay (3)	443,100	1,808,904
Debt Service Fund (4)	-	791,532
Intergovernmental (5)	-	1,027,738
Community and economic development (6)	-	999,000
TIFA Fund:		
Debt service - Interest (7)	27,880	28,180
General administration (8)	23,600	127,408

(1), (2), (3), and (7) - The variances are due to unexpected expenditures that were not amended for in the final budget.

(4), (5), and (8) - The variances are due to transfers for debt service and intergovernmental expenses to the TIFA/DDA that were not amended for in the final budget.

(6) - The variance relates to expenses paid to a developer for beautification of the City border that was not amended for in the final budget.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2008

Note 3 - Deposits and Investments (Continued)

The Retiree Healthcare Fund is also authorized by Michigan Public Act 149 of 1999, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles authorized by Michigan Public Act 314 of 1965, as amended.

The City has designated one bank for the deposit of its funds. The City's investment policy, adopted in accordance with Public Act 196 of 1997, authorizes all investments permitted by Public Act 20 of 1943.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. The bank balance of the City's deposits, including the component units, whose deposits are held in the name of the City of Grosse Pointe Park, totaled \$2,177,014, of which \$300,000 is covered by federal depository insurance. The City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy does not further limit its investment choices. At June 30, 2008, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pool	\$ 593,921	AAA	Moody's
Mutual fund	590,688	Not rated	Not rated

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the City's mutual fund investment is subject to interest rate risk. However, maturity information is not available.

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2008

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk - The City's investment policy places no limit on the amount that may be invested in any one issuer. At June 30, 2008, there were no investments in any one issuer (other than the U.S. government) that exceeded 5 percent of total investments.

Note 4 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

Governmental Activities

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets not being depreciated -				
Land	\$ 2,507,418	\$ -	\$ -	\$ 2,507,418
Capital assets being depreciated:				
Roads and sidewalks	11,744,919	-	-	11,744,919
Land improvements	2,238,604	1,211,464	-	3,450,068
Buildings	8,348,321	7,520	-	8,355,841
Machinery and equipment	3,395,186	331,737	(44,949)	3,681,974
Subtotal	25,727,030	1,550,721	(44,949)	27,232,802
Accumulated depreciation:				
Roads and sidewalks	7,517,523	522,011	-	8,039,534
Land improvements	1,382,711	152,320	-	1,535,031
Buildings	2,613,307	209,148	-	2,822,455
Machinery and equipment	1,899,943	224,741	(41,108)	2,083,576
Subtotal	13,413,484	1,108,220	(41,108)	14,480,596
Net capital assets being depreciated	12,313,546	442,501	(3,841)	12,752,206
Net capital assets	\$ 14,820,964	\$ 442,501	\$ (3,841)	\$ 15,259,624

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2008

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets being depreciated:				
Water system	\$ 285,180	\$ -	\$ -	\$ 285,180
Sewer system	26,750,584	175,000	-	26,925,584
Buildings and improvements	465,037	-	-	465,037
Machinery and equipment	575,220	-	-	575,220
Marina	413,607	-	-	413,607
Subtotal	28,489,628	175,000	-	28,664,628
Accumulated depreciation:				
Water system	191,737	3,453	-	195,190
Sewer system	6,495,461	454,947	-	6,950,408
Buildings and improvements	236,025	15,486	-	251,511
Machinery and equipment	519,055	7,115	-	526,170
Marina	356,746	14,368	-	371,114
Subtotal	7,799,024	495,369	-	8,294,393
Net capital assets	<u>\$ 20,690,604</u>	<u>\$ (320,369)</u>	<u>\$ -</u>	<u>\$ 20,370,235</u>

Component Units - The capital assets of the component units consist of land and buildings totaling \$3,069,619 and \$288,086, respectively. Accumulated depreciation, as of June 30, 2008, totaled \$11,524.

Depreciation expense was charged to programs of the governmental activities as follows:

General government	\$ 109,414
Public safety	190,232
Public works	590,388
Recreation and culture	218,186
Total governmental activities	<u>\$ 1,108,220</u>

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances in the fund financial statements is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 725,538
General Fund	Other nonmajor funds	256,593
Capital Improvements Fund	General Fund	73,661
Other nonmajor funds	General Fund	706,602
Other nonmajor funds	Other nonmajor funds	162,609
Total		<u>\$ 1,925,003</u>

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

	Transfers Out			Total
	General Fund	Capital Improvement Fund	Other Governmental Funds	
Transfers in:				
Capital Projects Fund	\$ 604,415 (1)	\$ -	\$ -	\$ 604,415
Other governmental funds	<u>282,588 (1)</u>	<u>199,288 (2)</u>	<u>178,763 (2)</u>	<u>660,639</u>
Total	<u>\$ 887,003</u>	<u>\$ 199,288</u>	<u>\$ 178,763</u>	<u>\$ 1,265,054</u>

- (1) Transfer of discretionary funds to be used for the benefit of the community (\$604,415) and transfer for debt service payments (\$282,588)
- (2) Transfer of Act 51 revenue-sharing payments from Major Streets Fund to Local Streets Fund as permitted by state law (\$178,763) and transfer for debt service payments (\$199,288)

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2008

Note 6 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Installment purchase agreements are also general obligations of the government.

Long-term debt activity is summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Governmental Activities							
General obligation bonds:							
1992 City of Grosse Pointe Park Building Authority Bonds:							
Amount of issue - \$2,285,000	4.375% -	\$130,000 -					
Maturing through 2012	5.88%	\$190,000	\$ 990,000	\$ -	\$ 140,000	\$ 850,000	\$ 150,000
1998 Fox Creek Limited Tax Bonds:							
Amount of issue - \$1,950,000	4.70%	\$130,000 -					
Maturing through 2013		\$175,000	1,080,000	-	135,000	945,000	140,000
General Obligation Unlimited Tax Bonds, Series 2007:							
Amount of issue - \$7,000,000	4.00% -	\$100,000 -	6,986,736	-	-	6,986,736	100,000
Maturing through 2027	4.35%	\$1,300,000					
Installment purchase agreements:							
2001 Motorola 911 Radio System:							
Amount of issue - \$184,948		\$29,471 -					
Maturing through 2007	5.97%	\$31,231	31,231	-	31,231	-	-
2003 Parks and Recreation Activity Center - Comerica Bank:							
Amount of issue - \$2,250,000	4.00% -	\$125,000 -					
Maturing through 2018	4.60%	\$200,000	1,825,000	-	125,000	1,700,000	125,000
2003 Fire Truck:							
Amount of issue - \$617,321		\$56,868 -					
Maturing through 2013	4.95%	\$75,990	405,443	-	59,682	345,761	62,637
2005 14917 Jefferson Avenue:							
Amount of issue - \$315,000							
Maturing through 2011	7.83%	\$63,000	189,000	-	189,000	-	-
2005 14901 Jefferson Avenue:							
Amount of issue - \$300,000							
Maturing through 2010	4.62%	\$60,000	180,000	-	180,000	-	-
2006 14902 Jefferson Avenue:							
Amount of issue - \$275,000							
Maturing through 2010	5.10%	\$91,666	275,000	-	275,000	-	-
2006 3158 Alter Road:							
Amount of issue - \$50,000		\$16,666 -					
Maturing through 2009	5.10%	\$16,667	33,333	-	33,333	-	-
2006 3180 Alter Road:							
Amount of issue - \$57,500		\$19,166 -					
Maturing through 2009	5.10%	\$19,167	38,333	-	38,333	-	-
2006 3164 Alter Road:							
Amount of issue - \$50,000		\$16,666 -					
Maturing through 2009	5.10%	\$16,667	33,333	-	33,333	-	-
Accrued compensated absences			1,150,065	32,921	-	1,182,986	-
Total governmental activities			\$ 13,217,474	\$ 32,921	\$ 1,239,912	\$ 12,010,483	\$ 577,637

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2008

Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Business-type Activities							
Installment obligation							
2007 Sewer Jet Vacuum							
Amount of issue - \$175,000							
Maturing through 2012	4.61%	\$43,750	\$ -	\$ 175,000	\$ -	\$ 175,000	\$ 43,750
General obligation bonds:							
1996 Water and Sewer Fund Bonds:							
Amount of issue - \$22,615,921		\$1,130,000 -					
Maturing through 2018	2.25%	\$1,440,000	14,225,000	-	1,155,000	13,070,000	1,180,000
Total business-type activities			\$ 14,225,000	\$ 175,000	\$ 1,155,000	\$ 13,245,000	\$ 1,223,750
Component Units							
Installment Purchase Agreements:							
Land acquisition:							
Amount of issue - \$200,000							
Maturing through 2009	4.10%	\$40,000	\$ 80,000	\$ -	\$ 40,000	\$ 40,000	\$ 40,000
Land acquisition:							
Amount of issue - \$300,000							
Maturing through 2010	4.20%	\$60,000	180,000	-	60,000	120,000	60,000
Land acquisition:							
Amount of issue - \$200,000		\$10,111 -					
Maturing through 2011	7.00%	\$38,726	118,618	-	33,666	84,952	36,115
Land acquisition:							
Amount of issue - \$350,000							
Maturing through 2011	4.33%	\$70,000	280,000	-	70,000	210,000	70,000
Land acquisition:							
Amount of issue - \$125,000		\$41,666 -					
Maturing through 2010	5.10%	\$41,667	125,000	-	125,000	-	-
Land acquisition:							
Amount of issue - \$175,000		\$58,333 -					
Maturing through 2010	5.10%	\$58,334	116,667	-	116,667	-	-
Land acquisition:							
Amount of issue - \$800,000							
Maturing through 2015	4.61%	\$114,286	-	800,000	-	800,000	114,286
Total component units			\$ 900,285	\$ 800,000	\$ 445,333	\$ 1,254,952	\$ 320,401

Annual debt service requirements to maturity for the above bond and note obligations are as follows:

	Governmental Activities			Business-type Activities			Component Unit		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 577,637	\$ 453,509	\$ 1,031,146	\$ 1,223,750	\$ 287,886	\$ 1,511,636	\$ 320,401	\$ 50,824	\$ 371,225
2010	612,473	426,187	1,038,660	1,248,750	259,031	1,507,781	283,012	35,715	318,727
2011	738,991	396,664	1,135,655	1,278,750	229,557	1,508,307	194,397	24,678	219,075
2012	762,406	364,308	1,126,714	1,303,750	199,462	1,503,212	114,286	18,511	132,797
2013	810,990	330,375	1,141,365	1,290,000	169,763	1,459,763	114,286	13,222	127,508
2014-2018	2,625,000	1,284,681	3,909,681	6,900,000	394,875	7,294,875	228,570	10,578	239,148
2019-2023	2,300,000	775,350	3,075,350	-	-	-	-	-	-
2024-2028	2,400,000	221,275	2,621,275	-	-	-	-	-	-
Total	\$ 10,827,497	\$ 4,252,349	\$ 15,079,846	\$ 13,245,000	\$ 1,540,574	\$ 14,785,574	\$ 1,254,952	\$ 153,528	\$ 1,408,480

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2008

Note 7 - Restricted Assets

Specific assets of the Capital Improvement Fund have been restricted for unspent bond proceeds. The total amount unspent at June 30, 2008 is \$2,687,649 in the Capital Improvement Fund. Fund balance has been reserved for the restricted assets.

Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for claims related to property loss, torts, and errors and omissions. For workers' compensation claims, the City participates in the Michigan Municipal League Risk Pool. For medical benefits, the City previously purchased commercial insurance. As described below, the City is partially self-insured for medical claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program for workers' compensation claims operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The City is self-funding medical benefits up to a retention amount, at which time the City's reinsurance coverage begins. The self-funding program is done in conjunction with the cities of Grosse Pointe, Grosse Pointe Farms, Grosse Pointe Woods, and the Village of Grosse Pointe Shores. The Village of Grosse Pointe Shores serves as the administrative agent for the program; however, each municipality is responsible for its individual claims.

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2008

Note 8 - Risk Management (Continued)

The City records the deposits made to the claims administrator for payment of future claims in the amount of \$101,785 in the General Fund. The City estimates the liability for medical benefits claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. The City's liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims. The entire liability is current and is recorded in the General Fund and government-wide statement of net assets. The changes in the estimated liability for the year ended June 30, 2008 are as follows:

Estimated liability - Beginning of year	\$ 126,769
Estimated claims incurred	1,114,003
Claim payments	<u>(1,106,661)</u>
Estimated liability - End of year	<u>\$ 134,111</u>

Note 9 - Pension Plan

Plan Description - The City participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for municipalities throughout the state of Michigan. The system covers substantially all City employees and provides retirement, disability, and death benefits to plan members and their beneficiaries.

The MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, MI 48917.

Employee membership data as of June 30, 2008 is as follows:

Active members	82
Retirees and beneficiaries	77
Inactive vested participants	<u>5</u>
Total plan participants	<u>164</u>

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2008

Note 9 - Pension Plan (Continued)

All full-time City employees are eligible to participate in the MERS. Benefits vest after 10 years of service. City employees who retire at or after attaining a minimum service retirement age of 60 with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to their average annual compensation during their last five years of employment multiplied by an entitled benefit percentage, for each year of credited service. The minimum service retirement age may be reduced with additional years of credited service. The MERS also provides death and disability benefits. These benefit provisions are established by state statutes and City ordinance.

Contributions - Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs of the plan are financed through investment earnings. Please refer to Note 1 for further significant accounting policies.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by City ordinance and requires a contribution from the employees of varying amounts up to 5.5 percent of gross wages.

Annual Pension Costs - For the year ended June 30, 2008, the City's annual pension cost of \$631,044 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a rate of return on investment of present and future assets of 8 percent per year, (b) projected salary increases of 4.5 percent per year compounded annually, (c) additional projected salary increases of up to 4.2 percent per year (depending on age) attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5 percent per year after retirement.

Three-year Trend Information

	Fiscal Year Ended June 30		
	2008	2007	2006
Annual pension cost (APC)	\$ 631,044	\$ 620,830	\$ 507,296
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2008

Note 9 - Pension Plan (Continued)

Schedule of Funding Progress

	Actuarial Valuation as of December 31		
	2007	2006	2005
Actuarial value of assets	\$ 24,297,790	\$ 23,078,619	\$ 22,151,821
Actuarial accrued liability (AAL)			
(entry age)	\$ 31,237,476	\$ 30,063,722	\$ 28,883,038
Unfunded AAL (UAAL)	\$ 6,939,686	\$ 6,985,103	\$ 6,731,217
Funded ratio	78%	77%	77%
Covered payroll	\$ 5,302,959	\$ 5,215,093	\$ 5,129,892
UAAL as a percentage of covered payroll	131%	134%	131%

Note 10 - Other Postemployment Benefits

Plan Description - The City provides retiree healthcare benefits to eligible employees and their spouses in accordance with labor contracts. Benefits are provided to public safety and general employees. Currently, the plan has 41 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits). The City pays all of the medical insurance premiums for general employees until age 65. Expenditures for postemployment healthcare benefits of approximately \$272,000 were recognized as paid during the year ended June 30, 2008.

This is a single employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions.

Funding Policy - Retiree healthcare costs are recognized when paid by the City on a "pay-as-you-go" basis. In the current year, the City maintained an amount of \$590,688 into a prefunded retiree healthcare fund, which is reported in this financial statement as a pension and other employee benefit trust fund type.

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2008

Note 10 - Other Postemployment Benefits (Continued)

The funding progress of the plan as of the most recent valuation date is as follows:

	General	Police	Total
Valuation as of August 1, 2006:			
Actuarial value of assets	\$ 84,418	\$ 354,556	\$ 438,974
Actuarial accrued liability (AAL)	2,048,807	8,793,081	10,841,888
Unfunded AAL	1,964,389	8,438,525	10,402,914
Funded ratio	4.12%	4.03%	4.05%

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

City of Grosse Pointe Park, Michigan

Notes to Financial Statements June 30, 2008

Note 10 - Other Postemployment Benefits (Continued)

In the August 1, 2006 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. Both rates included a 4.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at August 1, 2006 was 30 years.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new standard will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

Note 11 - Joint Venture

The City is a member of the Grosse Pointes-Clinton Refuse Disposal Authority (the "Authority") joint venture, which provides refuse disposal services to participating municipalities in the counties of Wayne and Macomb, Michigan. Other members include the cities of Grosse Pointe Farms, Grosse Pointe, Grosse Pointe Woods, Harper Woods, Mount Clemens, the Village of Grosse Pointe Shores, and the Township of Clinton. The City Council appoints one member to the Authority's governing board, which then approves its annual budget. The Authority currently contracts with a commercial refuse disposal company and bills members for their proportionate share of the costs.

The City's interest in the net assets of the Authority totaled \$78,305 at June 30, 2008 and is reported as part of the governmental activities in the statement of net assets. The City is unaware of any circumstances, including potential environmental remediation, that would cause an additional burden to the participating municipalities in the near future. Complete financial statements for the Authority can be obtained from its administrative offices at 27941 Harper Avenue, Suite 106, St. Clair Shores, MI 48081.

Required Supplemental Information

City of Grosse Pointe Park, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 6,897,528	\$ 6,897,528	\$ 6,949,457	\$ 51,929
Licenses and permits	200,650	200,650	225,663	25,013
Federal sources	-	-	17,962	17,962
State sources	1,106,300	1,106,300	1,098,586	(7,714)
Charges for services	618,200	618,200	686,136	67,936
Fines and forfeitures	610,800	610,800	549,873	(60,927)
Interest and rent	412,500	412,500	368,051	(44,449)
Other	421,600	121,600	123,605	2,005
Total revenue	10,267,578	9,967,578	10,019,333	51,755
Expenditures				
General government	1,510,100	1,530,300	1,441,232	89,068
Public safety	5,307,400	5,307,400	5,448,713	(141,313)
Public works	956,100	956,100	666,768	289,332
Recreation and culture	1,551,300	1,599,300	1,619,818	(20,518)
Debt service	112,761	112,761	112,848	(87)
Transfers to other funds	829,800	829,800	887,003	(57,203)
Total expenditures	10,267,461	10,335,661	10,176,382	159,279
Excess of Revenue Over (Under)				
Expenditures	117	(368,083)	(157,049)	211,034
Fund Balance - Beginning of year	738,762	738,762	738,762	-
Fund Balance - End of year	<u>\$ 738,879</u>	<u>\$ 370,679</u>	<u>\$ 581,713</u>	<u>\$ 211,034</u>

City of Grosse Pointe Park, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Capital Improvement Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Charges for services	\$ 41,400	\$ 41,400	\$ 81,917	\$ 40,517
Interest and rent	-	-	203,718	203,718
Transfer from other funds	-	-	604,415	604,415
Total revenue	41,400	41,400	890,050	848,650
Expenditures				
Capital outlay	443,100	443,100	1,808,904	(1,365,804)
Debt service	-	-	791,532	(791,532)
Intergovernmental	-	-	1,027,738	(1,027,738)
Transfers to other funds	199,300	199,300	199,288	12
Community and economic development	-	-	999,000	(999,000)
Total expenditures	642,400	642,400	4,826,462	(4,184,062)
Excess of Expenditures Over Revenue	(601,000)	(601,000)	(3,936,412)	(3,335,412)
Fund Balance - Beginning of year	6,547,922	6,547,922	6,547,922	-
Fund Balance - End of year	<u>\$ 5,946,922</u>	<u>\$ 5,946,922</u>	<u>\$ 2,611,510</u>	<u>\$ (3,335,412)</u>

Other Supplemental Information

City of Grosse Pointe Park, Michigan

	Special Revenue Funds						
	Major Roads	Local Roads	Garbage and Rubbish Collection	Building Inspection Department	Drug Law Enforcement	Community Development Block Grant	Total Special Revenue Funds
Assets							
Cash and cash equivalents	\$ 36,035	\$ -	\$ -	\$ 16,122	\$ 34,251	\$ 51,655	\$ 138,063
Receivables - Net:							
Accounts	-	-	22,748	-	-	-	22,748
Other governmental units:							
Component units	-	-	-	-	-	-	-
Other	78,998	29,131	-	-	-	-	108,129
Due from other funds	<u>236,278</u>	<u>162,109</u>	<u>437,485</u>	<u>-</u>	<u>187</u>	<u>-</u>	<u>836,059</u>
Total assets	<u>\$ 351,311</u>	<u>\$ 191,240</u>	<u>\$ 460,233</u>	<u>\$ 16,122</u>	<u>\$ 34,438</u>	<u>\$ 51,655</u>	<u>\$ 1,104,999</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 350	\$ -	\$ 72,243	\$ 13,419	\$ 1,836	\$ -	\$ 87,848
Accrued and other liabilities	2,794	2,531	-	-	-	42,611	47,936
Due to other funds	<u>162,334</u>	<u>184,094</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,544</u>	<u>348,972</u>
Total liabilities	165,478	186,625	72,243	13,419	1,836	45,155	484,756
Fund Balances - Unreserved	<u>185,833</u>	<u>4,615</u>	<u>387,990</u>	<u>2,703</u>	<u>32,602</u>	<u>6,500</u>	<u>620,243</u>
Total liabilities and fund balances	<u>\$ 351,311</u>	<u>\$ 191,240</u>	<u>\$ 460,233</u>	<u>\$ 16,122</u>	<u>\$ 34,438</u>	<u>\$ 51,655</u>	<u>\$ 1,104,999</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008**

Debt Service Funds					
General Debt	2007 Debt Issuance	Building Authority Debt	Total Debt Service Funds	Total Nonmajor Governmental Funds	
\$ 590	\$ -	\$ 1,387	\$ 1,977	\$ 140,040	
-	-	-	-	22,748	
361	-	-	361	361	
-	-	-	-	108,129	
<u>500</u>	<u>32,652</u>	<u>-</u>	<u>33,152</u>	<u>869,211</u>	
<u>\$ 1,451</u>	<u>\$ 32,652</u>	<u>\$ 1,387</u>	<u>\$ 35,490</u>	<u>\$ 1,140,489</u>	
\$ -	\$ -	\$ -	\$ -	\$ 87,848	
-	-	-	-	47,936	
<u>813</u>	<u>-</u>	<u>-</u>	<u>813</u>	<u>349,785</u>	
813	-	-	813	485,569	
<u>638</u>	<u>32,652</u>	<u>1,387</u>	<u>34,677</u>	<u>654,920</u>	
<u>\$ 1,451</u>	<u>\$ 32,652</u>	<u>\$ 1,387</u>	<u>\$ 35,490</u>	<u>\$ 1,140,489</u>	

City of Grosse Pointe Park, Michigan

	Special Revenue Funds						
	Major Roads	Local Roads	Garbage and Rubbish Collection	Building Inspection Department	Drug Law Enforcement	Community Development Block Grant	Total Special Revenue Funds
Revenue							
Property taxes	\$ -	\$ -	\$ 997,877	\$ -	\$ -	\$ -	\$ 997,877
State sources	482,277	208,975	-	-	-	-	691,252
Charges for services	-	-	146,515	83,210	1,030	-	230,755
Interest and rent	725	750	-	-	-	-	1,475
Total revenue	483,002	209,725	1,144,392	83,210	1,030	-	1,921,359
Expenditures							
Current:							
Public safety	-	-	-	-	8,059	-	8,059
Public works	377,972	366,453	1,044,650	182,381	-	-	1,971,456
Capital outlay	149,879	19,489	11,013	-	-	-	180,381
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	527,851	385,942	1,055,663	182,381	8,059	-	2,159,896
Excess of Revenue Over (Under) Expenditures	(44,849)	(176,217)	88,729	(99,171)	(7,029)	-	(238,537)
Other Financing Sources (Uses)							
Transfers in	-	178,763	-	100,000	-	-	278,763
Transfers out	(178,763)	-	-	-	-	-	(178,763)
Total other financing sources (uses)	(178,763)	178,763	-	100,000	-	-	100,000
Net Change in Fund Balances	(223,612)	2,546	88,729	829	(7,029)	-	(138,537)
Fund Balances - Beginning of year	409,445	2,069	299,261	1,874	39,631	6,500	758,780
Fund Balances - End of year	\$ 185,833	\$ 4,615	\$ 387,990	\$ 2,703	\$ 32,602	\$ 6,500	\$ 620,243

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2008

Debt Service Funds				
General Debt	2007 Debt Issuance	Building Authority Debt	Total Debt Service Funds	Total Nonmajor Governmental Funds
\$ -	\$ 276,777	\$ -	\$ 276,777	\$ 1,274,654
-	-	-	-	691,252
-	-	-	-	230,755
-	-	183,550	183,550	185,025
-	276,777	183,550	460,327	2,381,686
-	-	-	-	8,059
-	-	-	-	1,971,456
-	-	-	-	180,381
260,000	-	140,000	400,000	400,000
121,875	244,125	43,550	409,550	409,550
381,875	244,125	183,550	809,550	2,969,446
(381,875)	32,652	-	(349,223)	(587,760)
381,876	-	-	381,876	660,639
-	-	-	-	(178,763)
381,876	-	-	381,876	481,876
1	32,652	-	32,653	(105,884)
637	-	1,387	2,024	760,804
\$ 638	\$ 32,652	\$ 1,387	\$ 34,677	\$ 654,920



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November 12, 2008

To the Honorable Mayor and
Members of the City Council
City of Grosse Pointe Park
15115 East Jefferson
Grosse Pointe Park, MI 48230

We have recently completed our audit of the basic financial statements of the City of Grosse Pointe Park (the "City") for the year ended June 30, 2008. In addition to our audit report, we are providing the following letters providing results of the audit and internal control items and other matters which impact the City:

	<u>Page</u>
Results of the Audit (SAS 114)	1-4
Internal Control Items and Other Matters (SAS 112)	5-8

This communication is intended solely for the information and use of management, the Honorable Mayor, and the members of the City Council and is not intended to be and should not be used by anyone other than these specified parties.

We are grateful for the opportunity to be of service to the City of Grosse Pointe Park. Should you have any questions regarding the comments in this report, please do not hesitate to call.

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Results of the Audit - SAS 114

November 12, 2008

To the Honorable Mayor and
Members of the City Council
City of Grosse Pointe Park

We have audited the financial statements of the City of Grosse Pointe Park (the "City") for the year ended June 30, 2008 and have issued reports thereon dated November 12, 2008. Professional standards require that we provide you with the following information related to our audit.

Overview

As the independent auditors of the City, we wish to thank the administration and the financial staff for the assistance provided to us during the course of the audit. As an overall comment, we were very pleased with the condition of the financial books and records.

For this year's audit, the American Institute of Certified Public Accountants (AICPA) requires additional specific wording regarding various aspects of the audit to "those charged with governance." Many of the items which follow in this letter are simply a requirement of this new audit standard.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 30, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the City of Grosse Pointe Park. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

To the Honorable Mayor and
Members of the City Council
City of Grosse Pointe Park

November 12, 2008

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 18, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Grosse Pointe Park are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements are the disclosures for the pension fund with MERS and the other postemployment benefit disclosures.

Management's estimate of the City's future obligations is based on actuarial assumptions. The actuarial assumptions involve estimates of the value of the reported amounts and assumptions about the probability of occurrence of events into the future.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

To the Honorable Mayor and
Members of the City Council
City of Grosse Pointe Park

November 12, 2008

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. We noted that there were no uncorrected misstatements in the current year.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letters dated November 12, 2008.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the City, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the City's auditors.

This communication is intended solely for the information and use of management, the Honorable Mayor, and the members of the City Council and is not intended to be and should not be used by anyone other than these specified parties.

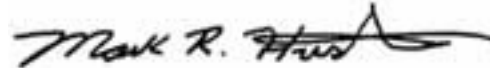
To the Honorable Mayor and
Members of the City Council
City of Grosse Pointe Park

November 12, 2008

We are grateful for the opportunity to be of service to the City of Grosse Pointe Park. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Mark R. Hurst", with a stylized flourish at the end.

Mark R. Hurst

Internal Control Items and Other Matters - SAS 112

November 12, 2008

To the Honorable Mayor and
Members of the City Council
City of Grosse Pointe Park

In planning and performing our audit of the financial statements of the City of Grosse Pointe Park as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control:

Accounting Matters

Duplicate Receivable - The City recorded a duplicate receivable for costs associated with the Zero Depth Pool Project, paid by the City, which is to be reimbursed by the GPP Foundation. The receivable was inadvertently recorded within two separate accounts (accounts receivable - other, as well as recoverable costs). As a result, the corresponding expense for this adjustment was misstated. We recommend management perform a second level of review for all manual journal entries.

To the Honorable Mayor and
Members of the City Council
City of Grosse Pointe Park

November 12, 2008

Informational/Legislative Comments

We consider the following items to be informational updates to assist management. Please call us to discuss any items further.

Treasurer's Report on Investments

A new law was passed in December 2007 for reporting on investments to the City Council. The treasurer is now required to report on investments at least quarterly. While the law proscribes no minimum information requirements, we feel that the report should include a list of investments with the financial institution each is issued through, the amount, and perhaps the stated interest rate.

Property Tax Revenue

As has been widely publicized, recent conditions in the real estate market are expected to have a negative impact on taxable values. The good news is that a given drop in market values will not result in an equivalent drop in taxable values because of the gap between assessed value and taxable value. On the other hand, this dampened effect is diminished each year we continue with market declines and the gap lessens between the two values. In other words, if we were to experience a theoretical 10 percent market decline for three consecutive years, the effect on taxable value (which would be different for each community) might be a 1 percent drop the first year, 4 percent the next year, and 7 percent in the third. For this reason, it will be important to closely monitor taxable value, since this has the capacity to severely impact future years.

Potential Legislation Impacting Property Taxes

As a response to the situation with the real estate market, legislation is being discussed in Lansing to adjust the mechanics of the general property tax act.

The nature of the legislation has ranged from the suspension of the "pop-up" or increase in taxable value that occurs when a property sells or a "super cap" on taxable value that prohibits an increase in taxable value when market values are declining. The outcome of this legislation could also have a significant impact on the City.

Lastly, more personal property tax relief is also part of the new Michigan business tax. Business personal property classified as "industrial" or "commercial" will be exempt from certain personal property taxes - specifically from the state education tax (SET) and local school operating mills. Industrial personal property will receive exemptions from the six SET mills and the 18 schools operating mills (for a total 24 mill exemption). Commercial personal property will be exempt from 12 of the 18 school operating mills.

To the Honorable Mayor and
Members of the City Council
City of Grosse Pointe Park

November 12, 2008

Revenue Sharing

There appears to be some positive news relative to the state legislature's funding of state-shared revenue. While we still remain cautious about this important revenue source, the current proposals call for a small increase in the statutory portion of funding for the year beginning October 1, 2008. However, to a great extent, actual revenue-sharing distributions will depend on the stability of the State's budget, as well as the actual level of state tax collections. In addition, the statutory formula expired in 2007 and a new, permanent formula has not been enacted.

We will continue to monitor this revenue source and inform you of any significant changes.

Retiree Health Care

As you are aware, the City provides postemployment benefits to all full-time employees and their spouses and dependents upon retirement, in accordance with labor contracts. At June 30, 2008, the actuary has valued the present value of all benefits expected to be paid approximately \$13,000,000. Accordingly, the actuary has projected annual employer contributions to be approximately \$500,000.

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The intent of the new rules is to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. These new rules will apply to the government-wide financial statements, rather than the individual fund level. As a result, you will not need to change your budgeting practices.

The promise to provide health care to retirees is very similar to the promise to provide an annual pension check. Similar to the current accounting for the pension systems, the new pronouncement will require the City to obtain an actuarial valuation of the obligation to provide retiree healthcare benefits. In addition, the City's funding status, or the progress it has made in accumulating assets to pay for this liability, will be disclosed in the financial statements. Lastly, the City will be required to make an annual contribution equal to the amount that the actuary deems necessary to fund the liability. The changes required under GASB Statement No. 45 will be effective in 2009. We would be happy to assist the City in further understanding the provisions of GASB Statement No. 45.

To the Honorable Mayor and
Members of the City Council
City of Grosse Pointe Park

November 12, 2008

New Auditing Standards

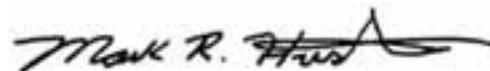
The City was required to implement the new auditing standards, SAS 109-112, in this fiscal year. These standards required a significant amount of work for the finance department, which included documenting additional internal controls and preparing for the additional audit procedures. We would like to take this opportunity to thank Jane Blahut and her finance department for all their hard work in implementing these auditing standards.

This communication is intended solely for the information and use of management, the Honorable Mayor, and the members of the City Council and is not intended to be and should not be used by anyone other than these specified parties.

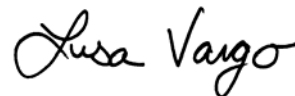
We would like to thank the Honorable Mayor and members of the City Council for the opportunity to serve as auditors for the City. We would also like to express our appreciation for the courtesy and cooperation extended to us by the City's administration during the audit. If you would like to discuss any of these matters, or would like assistance in their implementation, please contact us.

Very truly yours,

Plante & Moran, PLLC



Mark R. Hurst



Lisa M Vargo